

## Organic coffee from Kilimanjaro

**V**OLATILE PRICES, HIGH INPUT costs, high overhead costs, unhappy coop members – these are problems familiar to many cooperative managers. The managers of the Kilimanjaro Native Cooperative Union (KNCU) knew they had to do something to stop even more of the union's members from selling the coffee they had produced to private buyers rather than to the coop.

KNCU's solution? Go organic. The organic and fair trade markets offer better prices than the regular coffee market. But penetrating these markets is not simple: they have strict conditions, and it is necessary to develop linkages with different players.

### The coffee chain

KNCU's 120,000 smallholder members are grouped into 90 small groups or primary societies. Individual farmers grow coffee, harvest the cherries, remove the pulp that covers the beans, then wash, dry and grade the beans. They bring the dried beans to their primary group, where the amount each farmer brings is registered. The coffee is then taken to KNCU's curing factory, where the beans are further processed, graded and packaged. Each batch is labelled so its origin can be traced. The primary groups are paid according to the amount of coffee processed. Most of the coffee is exported to the USA, and a small amount is sold as a finished product.

KNCU's management organizes the exports and negotiates the farm gate and export prices. The difference between these prices is intended to cover the coop's overhead costs.



*Organic coffee fetches higher prices – but must overcome many hurdles before it can be certified*

Founded in 1929, KNCU is the oldest cooperative in Africa. It was originally set up by the government in a rather top-down way, with limited participation by the farmers. This legacy is still reflected in a feeling among members that the management does not take their interests fully into account. This gets worse when world market prices drop, causing farm gate prices to fall. The farmers complain about the coop's high overhead costs. They feel that the formula used to calculate prices is unfair and they have limited involvement in "their" coop. Many started selling to private buyers who offered better prices. The coop was in a crisis.

## Converting to organic

KNCU learned through its contacts that going organic and obtaining "fair trade" certification would open new opportunities to access better markets. For support it approached Epopa, a private consultancy company that specializes in marketing organic products.

Epopa's approach is to work with a small group of farmers and use them as a catalyst for innovation. The idea is that other farmers will see their good practices and higher incomes, and will want to learn from them and join in the project.

KNCU did not have organic expertise, so Epopa assisted the farmers convert their farms to organic production. Epopa conducted mobilization meetings with primary society members. Seven primary societies, with 1700 farmer members, were selected based on their willingness and readiness to join the project. The soils and microclimate on the slopes of Mt. Kilimanjaro are ideal for coffee production, but the farmers were applying high doses of synthetic fertilizers and pesticides. These inputs were expensive, and converting to organic production took quite some effort. At first, some of the farmers were sceptical about making a profit, while others did not comply with organic farming standards. For these reasons, two of the seven primary societies, with about 500 members, dropped out.

Each of the five remaining groups has a permanent technical field officer. They are supervised by a manager who is responsible for making sure that the organic standards are kept to. The Epopa consultant spends an average of 4 days per month coordinating the project activities. This includes technical advice, training, field visits to identify problems, and searching for solutions.

Epopa also implemented internal quality control procedures, paid the certification costs, and found new markets.

- **Certification** Epopa agreed with KNCU to share the costs of organic certification. The certification procedure requires a 3-year conversion period: in the first year, Epopa paid 100%; in the second year, 50%; and from the third year onwards, KNCU paid 100%. During this period Epopa trained KNCU's technical staff, who in turn trained the farmers how to farm organically.
- **Internal control system** Epopa has helped the farmer groups get organic certification. The farmers have had to stop using synthetic inputs, relying instead solely on naturally available inputs and environmental restoration

principles. Epopa facilitated this conversion and developed an internal control system to ensure that farmers comply with it.

- **Marketing assistance** Epopa has linked the KNCU management with potential buyers. It surveyed the market provided market information to enable the management to adjust to market dynamics. Epopa takes the management to trade fairs where they can meet with interested importers and strike business deals.

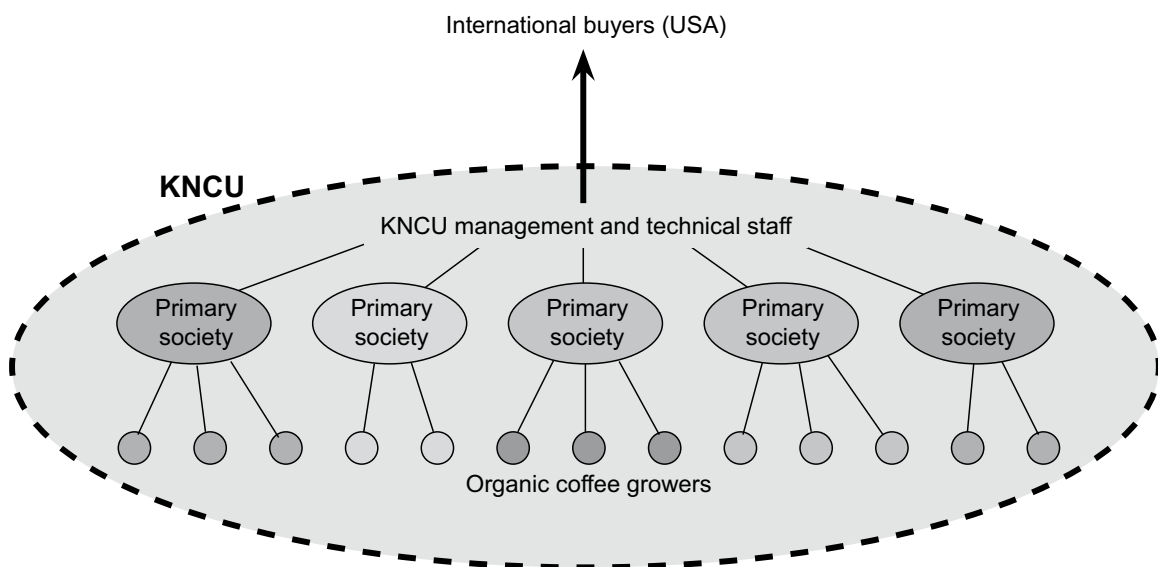
Epopa does not take part in the chain itself. Rather, it facilitates the links between KNCU and the rest of the chain, hoping that during the 3 years of the project funding these links will grow and become sustainable.

In the second year, KNCU applied for and was granted certification under the US Department of Agriculture's National Organic Program. In 2004 the cooperative exported about 40 tons of organic coffee to three firms in the USA, at a price of TSh 400–500 (€0.28–0.36) higher than the conventional price.

## Outcomes

The intervention has resulted in many benefits:

- **Quality and price of product** The quality of the members' coffee has risen through the conversion to organic production. This has led to higher farm gate and market prices. The farmers make more money and are more motivated, and the cooperative earns more revenue.
- **Lower costs** Now they no longer have to buy synthetic inputs, the farmers' production costs have sunk, and they have revived neglected fields.



*Structure of the Kilimanjaro Native Cooperative Union*

- **Increased competitiveness** KNCU has increased its competitiveness and is now able to compete with the local private traders by offering higher farm gate prices to its members.
- **Stronger market position** With organic coffee as a unique selling point, the position of the coop in the market has improved.
- **Strengthened capacity** The coop staff are capable of ensuring compliance with organic standards, and the management has become more responsive to the needs of its members.
- **Environmental benefits** Abandoning the use of synthetic chemicals has helped restore nature and enhance biodiversity.

## Challenges and the future

The farmers' interest in organic agriculture has been driven by their need to make a profit in the short term. Yet the switch to organic farming promises to have many environmental benefits that will continue into the future. In the short term, the switch may lower yields and discourage farmers. The conversion period offers a good way for farmers to adjust since they can get higher prices for their produce.

As farmers come to appreciate the benefits of organic farming, more can be expected to join the scheme. Including them is possible because it would not significantly increase the costs of the consultancy or KNCU's overhead.

The intervention has improved KNCU's responsiveness to its members, and has enabled the coop to seek new markets by itself. The technical staff can now provide training and control quality on their own.

Even after phasing out, Epopa still keeps an allowance to provide support to its former clients. This enables it to address minor problems that might threaten long term sustainability. The idea is not to make an abrupt exit without providing some limited support.

Organic coffee is not the end of the road for KNCU. The coop is now moving into finished products and tourism, further diversifying and strengthening the income base of its members.

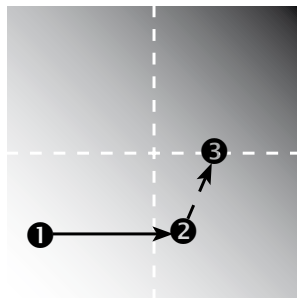
## Lessons

- **Transparency** More transparency within the cooperative would help to improve the image of the cooperative among the members. There should be clear communication between the management and the farmers' groups on issues such as delayed payments and price differences among the farmer groups.
- **Seeing is believing** Initially farmers are understandably sceptical about new ventures. They need assurance about the market and trust before the

- real business starts. Many would like to see the benefits first before they join in a project.
- **Difficulty of including poorer farmers** Poor farmers initially do not meet the minimum requirements of joining in projects like this. But they can qualify later on as the project expands.
  - **Need for short-term benefits** Farmers adopt an innovation if they can get quick returns. If there is only a small difference in the price of organic and conventional coffee, farmers are less likely to see a reason to join even if the longer term benefits are apparent. A number of farmers dropped out during the lengthy conversion period.
  - **Competition helps** The presence of private traders within the project area forced the KNCU management become more responsible to its members.

More information: [www.epopa.info](http://www.epopa.info) or contact Rainard Mjunguli, [ray.mjunguli@agroeco.net](mailto:ray.mjunguli@agroeco.net)

### Chain movements



The coffee farmers of KNCU started off as chain actors, with little control over their marketing or over the coop that supposedly represented them. Their only way of influencing the market was to sell to private traders rather than to the coop ❶.

The intervention has strengthened the coop's linkages with the market and control over the prices it obtains. It has also made the coop management more responsive to the members' needs ❷.

The coop is now moving into vertical integration by diversifying into finished products and tourism ❸.